



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-120-370; 380 – Managed Care
Department of Medical Assistance Services
March 24, 2008

Summary of the Proposed Amendments to Regulation

The proposed changes allow Medicaid recipients to retain their enrollment in managed care organizations and access needed acute care services through their managed care organization when they qualify for certain waivers. The proposed changes have been mandated by the 2006 Acts of Assembly and have been in effect since September 2007 under emergency regulations.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The main goal of the proposed regulations is to prevent disruption of a recipient's relationship with his/her managed care organization when they become eligible for certain waivers¹. The proposed changes have been mandated by the 2006 Acts of Assembly² and have been in effect since September 2007 under emergency regulations.

Prior to the emergency regulations, when a managed care recipient enrolled in certain community-based care waivers, they were required to disenroll from their managed care organization and were provided acute care services through the fee-for-service delivery model. With the proposed changes, when a managed care recipient enrolls in the certain community-based care waivers, their acute care services will be provided through the managed care service

¹ The certain waivers referenced are the following community-based care waivers: HIV-AIDS waiver, Individual and Family Developmental Disabilities Support waiver, Mental Retardation waiver, Elderly or Disabled with Consumer Direction waiver, Day Support waiver, and Alzheimer's waiver.

² Chapter 847, Item 302, AAA, BBB, M.1, M.2.

delivery model rather than the fee-for-service delivery model, and they will not be required to drop their enrollment in the managed care organization.

The main fiscal effect of the proposed changes would be the cost difference of providing acute care services to approximately 500 individuals under fee-for-service delivery model versus delivering the same services under managed care model. Department of Medical Services (DMAS) estimates that fee-for-service payments would be about the same as managed care payments to provide acute care services rendering the proposed changes budget neutral.

A significant benefit of the proposed changes is preventing the interruption of the relationship between the managed care provider and the recipient. Prior to the emergency regulations, the recipient were required to disenroll from his/her managed care organization and receive services under unmanaged fee-for-service delivery model. Since managed care organizations have access to an individuals' health history and have case management resources already in place, uninterrupted relationship is expected to produce better health outcomes and prevent otherwise likely health care costs.

Businesses and Entities Affected

The proposed regulations are expected to primarily affect approximately 500 recipients and seven managed care organizations.

Localities Particularly Affected

The proposed changes are statewide. However, the effects of the proposed changes are likely to occur in areas where managed care is available. According to DMAS, 114 localities are currently served by managed care organizations.

Projected Impact on Employment

The proposed changes are not expected to create any significant effect on employment.

Effects on the Use and Value of Private Property

The proposed changes are not expected to create any significant effect on the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed changes are not expected to impose any significant costs or other affects on small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

No effect on small businesses is anticipated.

Real Estate Development Costs

No effect on real estate development costs is anticipated.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.